

1972 Annual Report

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The Goodyear Tire & Rubber Company of Canada, Limited

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The cover

Huge 150-ton dump trucks, equipped with Goodyear tires 10 feet in diameter and weighing 5,300 pounds each, haul away overburden at the Great Canadian Oil Sands open-pit mine in the Athabasca River basin near Fort McMurray, Alberta. The operation also uses some Goodyear steel-cable conveyor belting to transport the oil sand from the open pit to a separation plant. The Great Canadian Oil Sands produces 45,000 barrels of synthetic crude oil a day.

To the shareholders of The Goodyear Tire & Rubber Company of Canada, Limited

We are pleased to submit the company's consolidated financial statements which again reflect record sales and income.

Consolidated net sales of \$210,765,000 compared with \$185,361,000 in 1971. The growth of \$25,404,000 reflects a gain of 13.7% over last year's record sales.

Consolidated net income of \$9,562,000, or \$36.29 per share of common stock, compared with 1971 net income of \$7,753,000 or \$29.21 per share. The increase of \$1,809,000 was equivalent to a 23.3% improvement over the previous record of 1971.

Dividends of \$6.00 per share on the common shares were paid in 1972 compared with \$3.00 per share in 1971. Dividends of \$2.00 per share were paid on the 4% preferred shares.

Taxes and duties provided in 1972 totalled \$24,911,000, equivalent to \$96.83 per common share, compared with \$21,097,000 or \$82.01 per common share in 1971.

Total compensation paid to employees during the year, together with pension, hospitalization,

group insurance and related benefits, increased to \$68,468,000 from \$56,945,000 in 1971.

Capital expenditures for expansion, modernization and replacement amounted to \$12,350,000 in 1972; depreciation amounted to \$6,305,000.

The year's improved financial performance reflected the continuation of the consolidation program adopted in the previous two years. It opened the way for the next phase which will be one of expansion coupled with continued profitability.

Cost controls were further refined and directed at specific problem areas. A selective sales policy, actively supported by marketing, advertising and promotion, resulted in further gains in a very competitive market.

Our quest for product improvement continued and received new impetus with the launching of "Operation Perfection," a company-wide drive emphasizing uniformity of product quality.

Our distribution network was strengthened with the opening of a new \$2.5 million facility in Montreal late



in 1972. Toward the end of the year, work commenced on a major modernization program of the main warehouse in Toronto. Scheduled for completion in mid-1973, the project will result in faster and improved distribution to our customers in central Canada and lower operating costs.

Better customer service was achieved through closer co-ordination with the dealer organization and the continued expansion of the company-owned retail store chain.

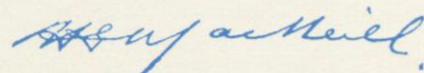
Top priority was given to the development of our human resources. As a result, an integrated plan of management training was instituted and vigorously pursued. Using advanced techniques, it will help prepare our employees for the many challenges of the future.

During the summer, Mr. K. E. Kennedy, Q.C., vice-president and general counsel, and a director of the company, retired after 40 years of distinguished service. On July 25, the board of directors made the following appointments: Mr. C. E. Clarke, vice-

president and general counsel, and company director; Mr. L. F. Huhta, vice-president, tire production; Mr. J. C. Moon, vice-president, personnel; Mr. H. M. Wells, vice-president, general products and Mr. G. D. Gordon, secretary.

Our success in 1972 was due in large measure to the enthusiastic support of Goodyear employees, dealers and distributors across the country. To all of them go our most sincere thanks. Confident of their continued cooperation, we look with anticipation to another exciting and rewarding year.

With the approval of the board of directors,



H. G. MacNeill
President and Chief Executive Officer
February 13, 1973

Board of Directors

Officers

The Goodyear Tire & Rubber Company of Canada, Limited
3050 Lake Shore Blvd. West
Toronto, Ontario M8V 1K4

Sales district offices:

Moncton,
New Brunswick

Quebec,
Quebec

Montreal,
Quebec

Ottawa,
Ontario

North Bay,
Ontario

Toronto,
Ontario (2)

London,
Ontario

Winnipeg,
Manitoba

Saskatoon,
Saskatchewan

Edmonton,
Alberta

Vancouver,
British Columbia

Manufacturing plants:

Quebec, Quebec
Molded and Extruded Goods;
Shoe Products

Saint-Hyacinthe, Quebec
Fabrics

Valleyfield, Quebec
Tires

Bowmanville, Ontario
Industrial Products

Toronto, Ontario (2)
Tires and Tubes; Plastic Films

Collingwood, Ontario
Hose Products

Owen Sound, Ontario
Foam Products

Medicine Hat, Alberta
Tires

H. A. Brundage,
Toronto

C. E. Clarke,
Toronto

P. P. Daigle,
Montreal

R. DeYoung,
Akron

R. A. Jay,
Akron

Louis A.-Lapointe, Q.C.,
Montreal

H. G. MacNeill,
Toronto

J. C. Moon,
Toronto

D. W. Moriarty,
Toronto

A. Deane Nesbitt, O.B.E., D.F.C.,
Montreal

Bruce M. Robertson,
Akron

H. G. MacNeill
President and Chief Executive Officer

H. A. Brundage
Vice-President, Finance

C. E. Clarke
Vice-President and General Counsel

S. G. Fearman
Vice-President, Materials Management

L. F. Huhta
Vice-President, Tire Production

J. C. Moon
Vice-President, Personnel

D. W. Moriarty
Vice-President, Tire Sales

H. M. Wells
Vice-President, General Products

G. D. Gordon
Secretary

F. J. Kitchen
Comptroller

B. R. Telfer
Treasurer

G. E. Bennett
Assistant Comptroller

W. R. Hayward
Assistant Comptroller

Brass-coated steel fabric for belts in Polysteel tires is about to be imbedded in rubber by calendering.



Consolidated Balance Sheet

Dollars in thousands

	December 31	
	<u>1972</u>	<u>1971</u>
Assets		
CURRENT ASSETS:		
Cash	\$ 897	\$ 620
Accounts receivable	34,710	30,064
Due from affiliated companies	4,461	2,533
Inventories at lower of cost or market	41,518	36,740
Prepaid expenses	3,295	2,875
Total Current Assets	84,881	72,832
 MISCELLANEOUS INVESTMENTS		
at cost less allowances	1,141	654
 PROPERTIES AND PLANTS:		
Land, buildings, machinery and equipment, at cost	136,988	126,598
Less: Depreciation	85,205	80,672
	51,783	45,926
	\$137,805	\$119,412

APPROVED ON BEHALF OF THE BOARD:

W. J. MacNeil

Director

S. A. Brundage

Director

December 31

Liabilities

CURRENT LIABILITIES:

Bank indebtedness	\$ 3,703
Loan from parent company	10,005
Accounts payable and accrued liabilities	19,822
Due to affiliated companies	3,145
Income and other taxes payable	6,358
Dividend payable on preferred shares	56

Total Current Liabilities

1972	1971
\$ 3,703	\$ 2,875
10,005	—
19,822	15,244
3,145	2,342
6,358	4,455
56	60
43,089	24,976

LONG TERM DEBT:

Bank loans due 1974 under revolving credit agreements	15,425
Funded debt of subsidiary	—

15,425	23,425
8,190	7,113

DEFERRED INCOME TAXES

DEFERRED INCOME

869	1,131
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Shareholders' Equity

CAPITAL STOCK:

4% cumulative redeemable sinking fund preferred shares (par value \$50 per share; redeemable on call at \$53 per share):	
Authorized, issued and outstanding, 1972—112,316 shares; 1971—118,857 shares	5,616

5,616	5,943
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Common shares, no par value:

Authorized, 290,660 shares; issued and outstanding, 257,260 shares	129
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129	129
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CAPITAL SURPLUS

RETAINED EARNINGS

692	692
63,795	56,003
70,232	62,767
\$137,805	\$119,412

Consolidated Income Statement*Dollars in thousands, except per share**Year ended December 31*

	1972	1971
Net sales	\$210,765	\$185,361
Income from investments	74	47
	210,839	185,408
Deduct:		
Costs and expenses	185,115	160,751
Interest expense on long term debt	1,737	2,209
Depreciation	6,305	7,040
Income taxes:		
Current	6,901	3,711
Deferred	1,219	3,944
	201,277	177,655
Net income for the year	\$ 9,562	\$ 7,753
Net income per common share	\$ 36.29	\$ 29.21

Consolidated Retained Earnings Statement*Dollars in thousands**Year ended December 31*

	1972	1971
Balance at beginning of year	\$ 56,003	\$ 49,261
Net income for the year	9,562	7,753
	65,565	57,014
Deduct:		
Dividends:		
On common shares	1,544	772
On 4% preferred shares	226	239
	1,770	1,011
Balance at end of year	\$ 63,795	\$ 56,003

Notes to Consolidated Financial Statements

1. Certain store and warehouse properties are leased at minimum annual rentals which total \$1,891,000 for 1973. Most of the leases may be renewed by the company on expiry.
2. The company's unfunded obligation for pension benefits arising from service prior to December 31, 1972 is estimated to be \$20,100,000. This obligation has not been provided for in the accounts. Since 1958 the company has been funding past service obligations by the payment of annual instalments which are charged against operations and proposes to continue this practice through 1989.
3. Remuneration to directors and senior officers of the company in 1972 amounted to \$332,000 (1971-\$255,000).

Consolidated Statement of Funds

Dollars in thousands

Year ended December 31

SOURCE OF FUNDS:

	<u>1972</u>	<u>1971</u>
Net income for the year	\$ 9,562	\$ 7,753
Expenses not requiring a current outlay of funds—principally depreciation and deferred income taxes	7,120	9,060
Total from operations	<u>16,682</u>	<u>16,813</u>
Property disposals	188	399
	<u>16,870</u>	<u>17,212</u>

APPLICATION OF FUNDS:

Expenditures for properties and plants	12,350	4,272
Long term debt	8,000	13,575
Dividends	1,770	1,011
Preferred shares redeemed	327	111
Investments	487	138
	<u>22,934</u>	<u>19,107</u>
Decrease in working capital	<u>\$ 6,064</u>	<u>\$ 1,895</u>

Auditors' Report

TO THE SHAREHOLDERS OF

THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED:

We have examined the consolidated balance sheet of The Goodyear Tire & Rubber Company of Canada, Limited and its subsidiary companies as at December 31, 1972 and the consolidated statements of income, retained earnings and funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Toronto, January 26, 1973

Tire Division

In 1972 Goodyear strengthened its position of leadership in the Canadian tire market by providing improved products, more efficient distribution and tangible support to its dealer organization.

The company launched successfully the Power Cushion 78 Vytacord tire, a high-quality bias-ply product, specifically designed to complement the prestigious bias-belted Polyglas and Polysteel automobile tire lines.

The company also introduced to the mining industry the 40.00-57 Hard Rock Lug earthmover tire, the world's largest size. More than 100 of these giants are now in use in Canada.

Retail Stores continued to expand and modernize its operations and to offer Canadian motorists more and better services.

Field engineering intensified its assistance to all sectors of the tire market. Tire development continued its successful program of cost-reduction without compromising on product quality.

The company, which in 1966 manufactured Canada's first radial tire, continued to make textile radials while getting ready to produce radial tires reinforced with steel wire and other promising materials.

At the company's Saint-Hyacinthe, Québec, textile plant, equipment was installed to produce square-woven fabric and increase twisting capacity.

Continuing plant modernization was carried out at Toronto and Medicine Hat, Alberta. At Toronto, the power-generating system was converted from oil to natural gas, thus virtually eliminating the possibility of air pollution.

1



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1. Equipped with Goodyear tires, a new Timberjack log skidder goes through its paces at the testing grounds of the manufacturer, Eton Yale Ltd., at Woodstock, Ontario.

2. Intricate pattern of new tire mold is checked against specifications.

3. Multiple tread patterns are carved on blank tire as preliminary step in selection of final tread design.



4



4. Nine-foot earth-mover tire, the largest made by Goodyear in Canada, gets pre-shipment inspection at Valleyfield.

1



1. At 3 a.m. and in temperatures nearing 40 degrees below zero Fahrenheit, Goodyear's newly-developed snow tires get their traction tests on frozen Lake Temagami, in Northern Ontario. Testing is done at night when temperatures are stationary and at their lowest level.

2. Radial tires are weather-tested on rooftop resiliometer at Toronto, where temperatures range between 85 degrees Fahrenheit above and 15 degrees below zero.

3. Force-variation check ensures tire uniformity.

2



3



General Products Division

Nineteen seventy-two saw sales increases in most sectors of General Products with hose products leading the division. A 70,000 square-foot expansion was begun at the Collingwood, Ontario, hose plant. When completed in mid-1973, at a cost of \$1.5 million, the expansion will provide facilities for increased production of current lines and enable the plant to manufacture, for the first time, hydraulic brake hose. The plant will be one of three in North America and the only one in Canada producing this type of hose. In 1972, Collingwood's staff developed and marketed aggressively a plastic spray-painting hose. During the year, employment reached the highest level in the plant's six-year history.

Foam product sales were substantially ahead of the previous year. The Owen Sound, Ontario, plant worked at practically full capacity during 1972 producing automotive foam seats and padded instrument panels. The plant also developed several new products: the most important was a safety seat for school and touring buses. There was a moderate increase in sales of the industrial products made at the company's plant at Bowmanville, Ontario, where production was ahead of 1971. An order for 12 miles of steel-cable conveyor belting for a huge iron-mining complex was completed in 1972. This was the largest such order ever received by the company.

The first Canadian installation of a Goodyear Speedwalk people-conveyor system was nearing

Snowmobile testing continues in summer on grass and gravel to determine how much punishment tracks can take.



completion at Toronto International Airport. Snow-track sales were good, as the market for snowmobiles remained stable. The V-belt section of the Bowmanville plant was expanded and, at year's end, was producing a new type of power-transmission belt using a simplified process which manufactures a high-quality product at a lower cost. Demand of parts for heavy industrial pumps continued to grow.

At the Quebec City plant, sales and production of molded and extruded products were higher than 1971. Shoe-product sales continued to decline because of competition from abroad and the advent of new materials and production methods which now enable shoe manufacturers to make soles and heels on their own premises. During the latter part of the year, new manufacturing equipment was installed and resulted in improved production performance by year's end.

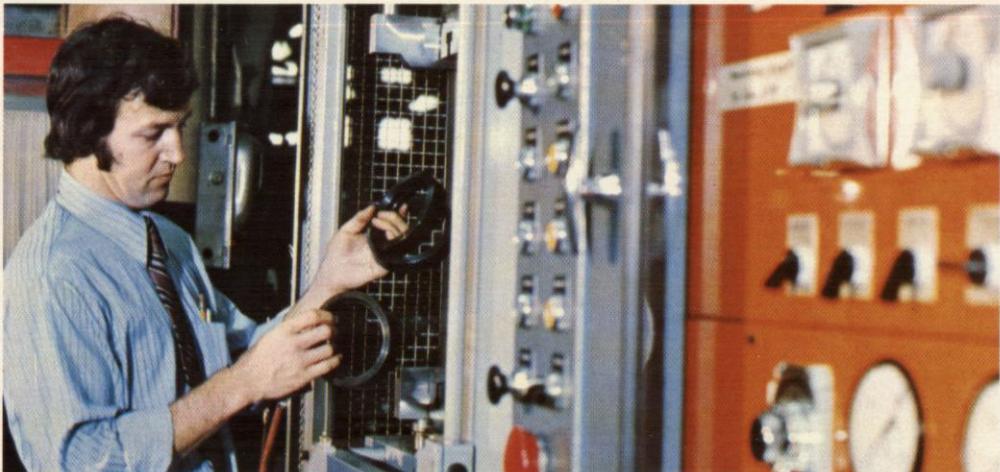
Plastic film sales remained about the same as in 1971. The company started to market a heavy plastic liner for settling basins and water reservoirs. Several new products were under development.

1. Rubber gaskets for pipe joints are manufactured by injection-molding at Quebec City plant. With simple mold changes, this press can produce hundreds of different products.

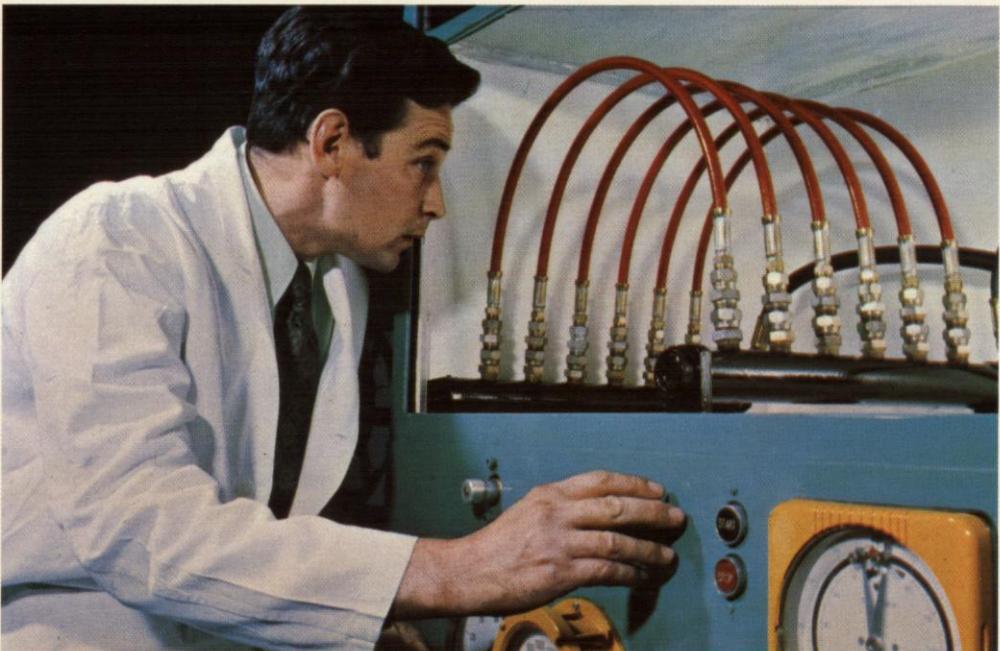
2. Sections of automotive air-conditioner hose are tested for endurance at Collingwood plant.

3. Equipped with tracks made at Good-year's Bowmanville plant, vehicle destined for Iranian sugar plantation is tested at proving grounds of Foremost International Industries Ltd., at Calgary, Alberta.

1



2



3





1. The M/S J.W. McGiffin unloads iron-ore pellets at Stelco's dock in Hamilton, Ontario. Canada's largest self-unloading ship, the McGiffin is equipped with a conveyor system which includes close to 5,000 feet of belting made at Goodyear's Bowmanville, Ontario, plant.

2



3



2. Increased safety is provided by new school bus seat featuring high headrest, deeper, contoured cushions and self-extinguishing urethane foam produced at Goodyear's Owen Sound, Ontario, plant.

Goodyear Pictorial

1. Polyester, woven and treated at Saint-Hyacinthe, Quebec, plant, continues to play key role in the manufacture of Goodyear tires.



2. Car body rust-proofing is a popular service offered by Goodyear Go Centres in Eastern Canada.



3. Modern injection-molding equipment produces sole-and-heel units at Quebec City.

4. Samples are subjected to accelerated aging in ozone chamber to determine effects of atmospheric conditions on rubber compounds.

3



